TEACHERS' PENSION PLAN

News briefs • Fast facts • You asked us

pensionwise™

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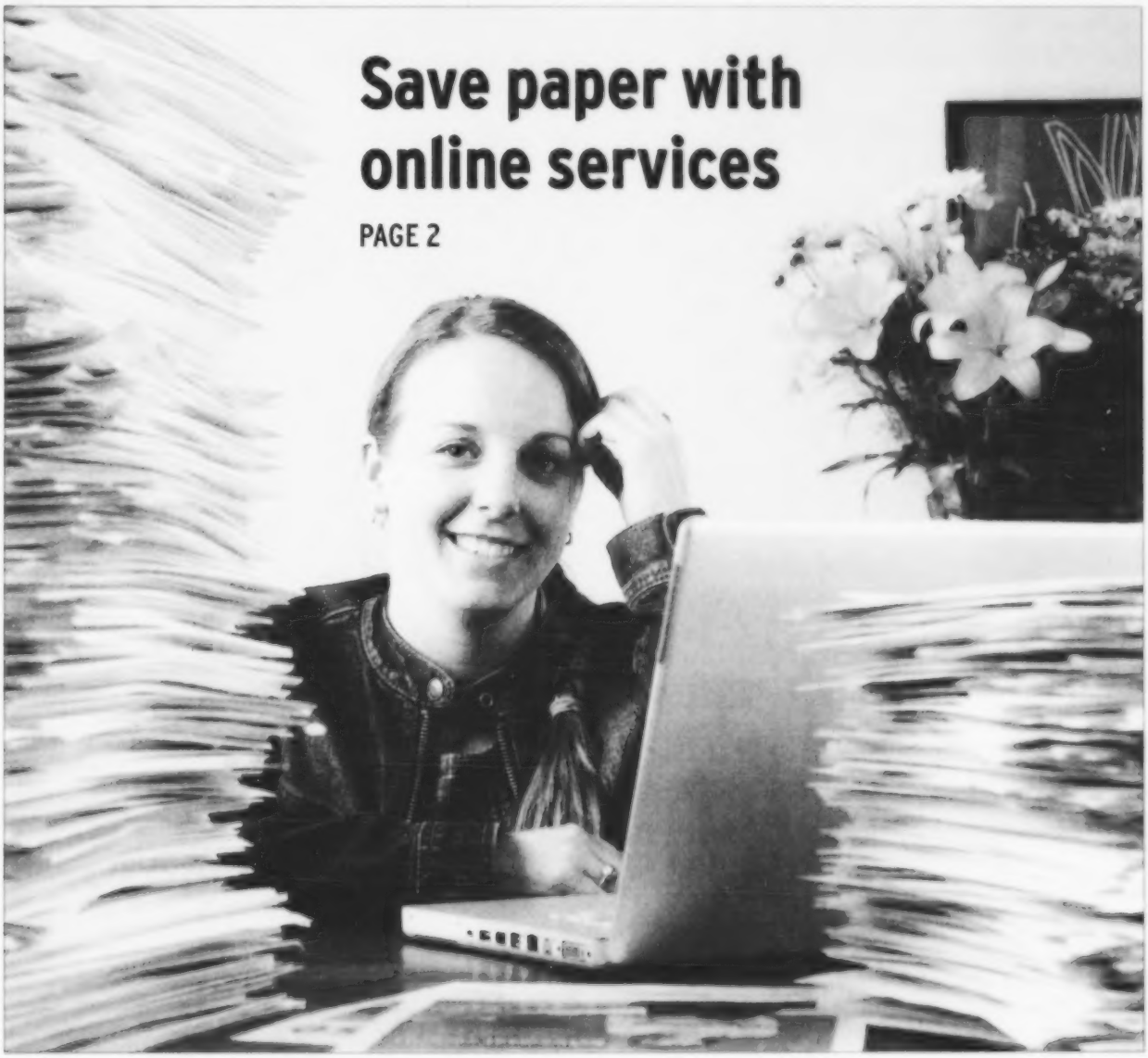

Save paper with online services

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Saving paper starts today

Lisa Angeli believes she can help save the Earth with small, simple choices.

Elementary school teacher Lisa Angeli receives pension information online to help save resources.

PAPER SAVINGS

This issue of Pensionwise *contains enough paper to:*

Consume about 20 trees	Stack halfway up the Peace Tower	Wallpaper 200 classrooms	Sink a small pleasure boat	Gift wrap a book for every teacher

The first-year teacher is not thinking of her pension quite yet, but she is thinking about the kind of role she can play for her Grade 2 and 3 students at Toronto's Regal Road Public School, including showing them how to be conscious of the environment by saving paper.

Signing up for *i*Access Web, the secure members-only section of our website, is one way for her to save paper, both today and in the future. In her lifetime, she could receive thousands of printed pages, information readily available at www.otpp.com.

"I want online communications to become the most common method of communication because I think we are very wasteful with our resources in North America," Lisa said. "Even if retirement is well into the future for me, there are other advantages to signing up, including setting an example for the kids I teach. They're still quite young, but we can lay the groundwork today."

In addition to saving paper, Lisa and 125,000 other *i*Access Web users are helping the pension plan save money – as much as $300,000 a year in printing and postage costs. The savings are being used to enhance technology for future client services.

"With members answering their own questions and updating their own personal information online, our pension benefits specialists have more time to help clients with important decisions about their benefit options," said Rosemarie McClean, Senior Vice-President, Member Services.

Member use of the secure website increased 29 per cent last year and 61 per

FAST FACTS

*i*Access Web

167,000
Number of times members logged into our secure website in 2007

101
Age of our oldest online user

5
Seconds it takes to get an online pension estimate

125,000
Number of members registered for our secure website

77
Countries where *i*Access Web pensioners live

cent of retiring members applied for their pensions online.

"Members have embraced our secure website enthusiastically," Rosemarie said. "In fact, we have 26 members who logged in more than 100 times each last year and one member who actually went online 134 times." ■

To register for *i*Access Web:

- Call 416-226-2700 or 1-800-668-0105, weekdays from 8 a.m. to 5:30 p.m.; or
- Download and complete the registration form at www.otpp.com

Secure website provides wealth of features

i*Access Web, the secure members' section of our website, empowers you to:

- Verify, name or change your designated beneficiary
- Generate and compare pension estimates using various what-if scenarios
- Apply online for your pension
- Update your contact information and marital status
- Calculate the cost to buy back a leave of absence
- Select your communications preferences
- Watch audio-visual presentations on popular pension subjects
- View your current pension account
- Retrieve personal pension correspondence in your own secure Document Centre

Teacher wins computer after updating personal information online

Norma Tenaglia of Kleinburg has a new computer to help develop her skills as a special education teacher.

The teacher at St. Basil the Great College School won a draw for a desktop computer after updating her personal information online at *i*Access Web, the secure members-only section of our website.

A total of 16,462 members updated their personal information, including their communications preferences, online during the contest period, which ended Dec. 31. The contest was designed to encourage members to keep their personal information current and to explore the many features of *i*Access Web.

"I encourage members to go online to see how *i*Access Web can help them answer basic questions and do calculations and transactions," said Rosemarie McClean, Senior Vice-President, Member Services. ■

Top 7 funding Q&As

A preliminary funding valuation shows the Teachers' pension plan has a $12.7 billion gap between plan assets and liabilities (the cost of future pensions), using the assumptions contained in the current funding management policy. The shortfall was explained in the *2007 Report to Members*, which you should have received by mail or e-mail in April. Key questions arising from the release of the report are answered below.

1 WHY DOES THE PLAN HAVE ANOTHER SHORTFALL?

A preliminary shortfall exists because the cost of future pensions continues to grow faster than plan assets. Higher-than-projected life expectancies, low real (after inflation) interest rates, and modest projections for future investment returns combine to create funding challenges. The challenges are difficult to manage because the plan is mature, with only 1.6 working teachers to every retiree. This makes it difficult to overcome funding shortfalls with contribution rate increases alone.

2 WHY ARE LOW INTEREST RATES A PROBLEM?

Low real (after inflation) interest rates are a problem for pension plans all over the world. When real rates are low, bond yields are low. As a result, the cost of future pensions is higher because the pension plan needs more money today to earn the value of pensions to be paid in the future.

For example, when real interest rates are two per cent, $855,000 is needed to pay a typical $40,000 annual pension for a teacher retiring at age 58. If real rates were to climb to four per cent, the plan would need only $660,000 to provide the same pension benefit.

3 WILL SCHEDULED CONTRIBUTION INCREASES TAKE CARE OF THE SHORTFALL?

Contribution increases in each of 2007 and 2008, as well as planned increases in 2009, will eliminate a $6.1 billion shortfall reported in 2005. However, many of the same conditions that led to the 2005 funding shortfall, including low real interest rates and increased life expectancy, have created another gap between assets and liabilities. This $12.7 billion gap, or shortfall, is based on a preliminary valuation in January 2008.

MORE INFORMATION

- **Read the *2007 Report to Members* or the full *2007 Annual Report*, online at www.otpp.com. Follow the links from the home page.**
- **View presentations on the fund's investment performance and funding status delivered at the plan's annual meeting April 11. An archive of the meeting webcast is available at www.otpp.com.**

4 HOW MUCH DO YOU NEED TO PAY PENSIONS?

To answer that question, the pension plan's board hires an independent actuary to conduct a funding valuation. The valuation assesses the plan's long-term financial health by comparing plan assets (stocks, bonds, etc.), plus future contributions, to liabilities (the cost of future pensions).

With an annual pension payroll of about $4 billion, the Teachers' plan has enough money to pay pensions for many years. But to protect all members, the valuation must show there are sufficient funds to pay pensions to current members who may be collecting benefits in 50, 60, 70 or more years from now.

A preliminary funding valuation shows the Teachers' plan needs $147.6 billion to pay future pensions to all current members. That's $12.7 billion more than the value of plan assets and future contributions as of Jan. 1, 2008.

The preliminary valuation was conducted using the current funding management policy that prescribes, among other things, the interest rates used to value the cost of future pensions. The interest rates have a significant impact on funding valuations, and can mean the difference between a shortfall and a surplus.

5 NOW THAT YOU'VE REPORTED A PRELIMINARY SHORTFALL, WHAT HAPPENS NEXT?

The Ontario Teachers' Federation (OTF) and the Ontario government, which jointly sponsor the pension plan, must file a balanced funding valuation with the provincial regulator by Sept. 30. A balanced valuation shows the plan has enough money to cover the cost of future pensions for all current members.

The pension plan's board, the OTF and the Ontario government are discussing the funding management policy and the preliminary shortfall in preparation for the filing. The three parties are working together to find a solution, not just for this filing year, but for the many filing years to come.

Life expectancy increases

It's official: teachers are living longer. New mortality studies show the average female teacher retiring today can expect to live until age 90, three years longer than the average male teacher at retirement.

While longer life expectancy is good news for teachers, it creates growing funding challenges for the pension plan.

The table below shows how longevity has impacted the cost of future pensions for each funding valuation filed since the pension plan became an independent entity in 1990. Future pensions cost nine per cent more today than they did in 1993 due to increased life expectancy.

VALUATION YEAR	LIFE EXPECTANCY RETIRED MALES	LIFE EXPECTANCY RETIRED FEMALES	COST OF PENSION*
1993	24 years	28 years	$776,000
1996	24 years	29 years	$784,000
1998	24 years	29 years	$784,000
1999	24 years	29 years	$784,000
2000	24 years	29 years	$784,000
2001	25 years	29 years	$788,000
2002	28 years	30 years	$806,000
2003	28 years	30 years	$807,000
2005	28 years	30 years	$811,000
2008**	**30 years**	**33 years**	**$845,000**

* Costs and average life expectancy reflect plan experience from 1993 to 2008 and are based on: $40,000 starting pension at age 57; 2.2 per cent inflation rate; and a 2.95 per cent assumed real rate of return on investments.

** Preliminary valuation results incorporate strengthened mortality assumptions recommended in an independent review of the plan's assumptions.

6 HOW WILL THE SHORTFALL BE ADDRESSED? WHAT OPTIONS ARE ON THE TABLE?

The OTF and the Ontario government will decide how to resolve the shortfall, while the pension plan's management will provide information to aid in their decisions. Once a solution is reached, it will be communicated to members.

7 ARE MY PENSION BENEFITS SECURE?

Yes, your pension is secure. The value of the pension you have earned to date is guaranteed under Ontario's Pension Benefits Act. Only that portion of your pension you will accumulate in future years could change.

No decision has been made to change benefits, but to give you an idea of what is protected, here's a hypothetical example: Let's say the pension plan changed after you had built 20 years of credit. If you contributed to the plan for five more years and then retired, the change would affect only that portion of your pension based on the five years after the change was introduced.

Pensions being paid to retired members cannot be changed under the Pension Benefits Act. ■

Plan provides immediate personalized service

Pension benefits specialists like Ann are the face of the Ontario Teachers' Pension Plan to about 400 members who call for help every day.

The team of 50 specialists is tasked with providing immediate personalized service to the plan's 278,000 members.

"We treat each member like a millionaire," said Client Services Director Michael McAllister.

"That may sound far-fetched, but many members will collect $1 million or more in pension payments during their retirement years. They deserve gold-plated service."

It's not only current members who get the million-dollar attention. Every year, the pension plan tracks down inactive members who left small amounts of money in the pension plan when they left teaching, sometimes decades ago.

"Typically they made contributions, stopped teaching and then moved without filing a change of address," said Rosemarie McClean, Senior Vice-President, Member Services.

"Pension plans are not required by law to find these people, but we do."

Going beyond the call of duty is one of the reasons the pension plan has been shortlisted in two categories in the annual Contact Centre World Awards. The winner will be announced in June.

Michael McAllister credits staff for the plan's success.

"Our people are highly motivated, caring individuals who really enjoy helping members make major decisions about their retirement. We hire the best of the best and equip them with the tools and training they need to be successful," Michael said.

With more members using services available on the pension plan's secure website, Michael's team is turning its attention over the next five years to tailoring service to individual needs.

"More and more, we will be helping members navigate complex pension rules by explaining options that make sense for their individual situations."

It's a formula that seems to be working. "I went through a trying time in my life. The overall quality of service and care that I received touched me profoundly," said a member. ■

MEMBER SERVICES REPORT CARD

ITEM	RATING
Client satisfaction rating in 2007, based on third-party surveys with members.	**9** out of 10
Service ranked 3rd of 54 leading pensions plans from around the world by Cost Effectiveness Measurement benchmarking service.	**88** out of 100
Competing for top place in the Contact Centre World Awards for Best in Customer Service and Best Contact Centre (Americas, under 50 agents). Rated in top 5, with winner to be announced in June.	**TOP 5** of 800

You Asked Us...

Q: I've forgotten my password and user ID for your secure website. What should I do?
A: You can easily retrieve a forgotten password or user ID online. Click Member Sign-in from any page of our website at www.otpp.com, and then follow the instructions on the sign-in page under "Trouble Signing in."

Q: How was the pension fund affected by the credit crunch?
A: Although we did not invest directly in the types of investments that gave rise to what is known as the subprime crisis, we did have indirect exposure through other investments. As a result, the value of some of our fixed income securities was impacted materially by the global credit crisis last year.

We expect further impact on the pension fund as markets continue to adjust to this phenomenon. For more information, read the investment section of our annual report.

Q: Why are your investment returns and benchmarks lower than many other pension plans?
A: Every pension plan chooses an asset mix and investment strategies to meet its own pension obligations at an appropriate level of risk. It then benchmarks or measures its performance against the markets in which it invests.

Teachers' asset mix includes 45 per cent equities, vs. 60 per cent or more for many other large pension plans. The lower allocation to equities reflects the plan's risk tolerance. Equities are more volatile than returns from other instruments we hold. A lower allocation to equities insulates the fund (and those contributing to it) from market swings and the shortfalls that could result.

Due to the declining teacher-to-pensioner ratio, a smaller proportion of the plan's members bear responsibility for keeping the plan fully funded.

As the chart below shows, the low ratio of contributing teachers to retirees makes it more difficult to overcome any future funding shortfalls with contribution increases alone.

In 2007, the Teachers' pension plan earned 4.5 per cent, nearly double its benchmark of 2.3 per cent. In dollars, that translates into $2.3 billion above our total fund benchmark, or the dollar equivalent of 64,000 pensions paid last year.

Declining ratio of working-to-retired members

	1970	1990	2008
Contributing members per retiree	10:1	4:1	1.6:1
Future contributions as a percentage of plan assets[1]	93%	42%	26%
Increase in contribution rate required if assets decline by 10%	**0.56%**	**1.9%**	**4.4%**

1 Assuming the plan is fully funded

Q: Is my disabled adult daughter entitled to survivor benefits?
A: If you don't have an eligible spouse, your daughter may qualify for a survivor pension when you die. We can do a preliminary assessment now of your daughter's medical eligibility for benefits. If she meets our requirements and her disability is the same or worse at the time of your death, she should qualify for benefits. Your daughter or her legal representative must apply for the benefit – and show proof of medical eligibility – upon your death. No two cases are alike, so call us if you have questions.

Q: My husband is retiring in June. Will working after retirement rules apply if he teaches at summer school in August?
A: Your husband can begin his pension and work in July or August as long as we receive his pension application before his resignation date in June. A resignation is considered valid only if:

- his employer confirms acceptance of his resignation without condition;
- no arrangement has been made to return to work in education; and
- he has either received or arrangements have been made to receive any applicable gratuity.

Keep in mind that if he works in July or August, he will use the first of three school years in which he is allowed to work for up to 95 days without affecting his pension. This will apply even if he works for only part of a day. ■

Pension plan wins investment honours

Institutional Investor magazine has named Bob Bertram one of the 75 most influential people in the world of finance. Bob has led the pension plan's investment program since its inception in 1990.

In other competitions:

- Teachers' Private Capital was named Best Buyout Firm in Canada and Best Limited Partner in the 2007 *Private Equity International* magazine awards.
- The pension fund's takeover of the New York and Vancouver marine container terminals was named Acquisition of the Year 2007 by *Project Finance* magazine.
- *Alternative Investment News* named the Teachers' fund Public Pension Plan Investor of the Year for its hedge fund program.

All teachers to join plan at designated employers

You will continue to contribute to the Teachers' pension plan if you are a qualified teacher who moves to a designated employer after Aug. 31.

The Ontario Teachers' Federation (OTF) and the Ontario government have extended plan membership to qualified teachers who work in non-teaching positions at 58 designated private schools and 32 other organizations in Ontario, effective Sept. 1. As a result, teachers at private schools will be treated the same as teachers at public schools.

Under current rules, only members who *teach* at private schools or work in some administrative capacities at designated schools or organizations, such as the OTF, qualify to join the pension plan.

The new eligibility rules will also affect retired members who work. Effective Sept. 1, *all* positions at designated employers will be subject to the pension plan's working after retirement limits. Under the limits, pensioners can work in education for up to 95 days in each of the first three school years in which they return to work (these don't need to be consecutive years) and 20 days each school year after that.

Designated employers are listed in the pension information section of our website at www.otpp.com.

Watch annual meeting clips at www.otpp.com

If you missed the pension plan's annual meeting April 11, you can view a webcast of the proceedings online at www.otpp.com. Follow the link from the home page to watch presentations on the plan's investment performance, service performance and funding status. ■

Pensionwise™ is published for members of the Ontario Teachers' Pension Plan.

We appreciate your comments about anything you read in *Pensionwise*. Please contact Debra Hanna at (416) 730-5351 or 1-877-812-7989, or e-mail: dhanna@otpp.com

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This newsletter does not create any right to benefits. Your entitlements and those of your survivors are and will be governed by the language of the pension plan text. The information contained in this newsletter is not intended to be relied upon in relation to any particular circumstance.

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